



JUN 7 2004

MEMORANDUM FOR ASSISTANT REGIONAL ADMINISTRATORS  
1T, 2T, 3T, 4T, 5T, 6T, 7T, 8T, 9T, 10T, WT

ASSISTANT COMMISSIONERS  
TA, TB, TF, TH, TO, TQ, TR, TS

FROM:

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SUBJECT:

Guidance and Information Concerning Interagency Transactions  
and Proper Management of Reimbursable Agreements in  
Revolving Funds

Attached are revised procedures covering reimbursable agreements entered into by the Federal Technology Service (FTS) and other Federal customer agencies and non-Federal organizations within GSA's revolving funds known as the Information Technology Fund and the General Supply Fund. Previous procedures, including applicable provisions within the May 2003 memorandum on professional services, are hereby superceded. The procedures herein are to be strictly adhered to and the necessary oversight is to be provided by the Chief Financial Officer for FTS.

This document consists of two parts: 1) the reimbursable agreement procedures, and 2) the statutory authorities for the Information Technology (IT) Fund and the General Supply (GS) Fund and other statutes pertinent to the use of revolving funds. This procedure is effective immediately covering both new reimbursable agreements and amendments to existing agreements.

Attachments

Concurrences:

James A. Williams (T) Date

*Electronic concurrence 06/04/04*  
Tony Tisone (TC) Date

*Comments provided by*  
*Deputy (Peter Fridman) 06/04/04*  
Robert E. Suda (TF) Date

*Electronic concurrence 06/04/04*  
Peter T. Fridman (TF) Date

*Electronic concurrence 06/04/04*  
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*Laura Leussing 06/04/04*  
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*Wayne VanOster 6/7/04*  
Wayne VanOster (BBA) Date

## **Part 1**

### **Reimbursable Agreement Procedures**

#### **I. BACKGROUND**

Of utmost importance in administering these procedures is adherence to the provisions of the management of revolving funds, the Antideficiency Act and the GSA System for the Administrative Control of Funds, approved by the Office of Management and Budget (OMB) as required by the Act (ADM 4200.2A CHGE 1, June 2, 1997). All GSA employees involved in executing the agency's financial programs are required to adhere to the guidance on the use of revolving funds, the Antideficiency Act and to the provisions of this memo and related directives.

The use of revolving funds in the Federal government is to permit the financing for the purchases of goods and services on an intra-governmental basis in a "business-like" manner. A revolving fund is established to carry out a cycle of business-type operations with other Federal agencies or separately funded components of the same agency. At GSA, two such revolving funds have been established – the Information Technology Fund (IT Fund) and the General Supply Fund (GS Fund).

To conduct business between GSA and another Federal agency, we use reimbursable agreements. Reimbursable agreements are the primary means by which the FTS receives requests from Federal agencies for acquisition services. The reimbursable agreement is a written statement from another Federal agency or other non-Federal source when authorized by statute requesting FTS to procure commodities and/or services on their behalf. A properly executed reimbursable agreement provides written documentation to ensure there is a formal offer and acceptance between the federal agency and FTS. The reimbursable agreement must include a clear, concise statement identifying the requesting agency's specific need and clearly establishing the financial arrangements between the requesting agency and FTS. The reimbursable agreement must also provide financing and other supporting data such as billing information relative to the reimbursable order.

For reimbursable work that is covered by these procedures, resources available for obligation are the total amount of unfilled customer orders. This is the amount of orders received from Federal Government agencies that represent valid obligations of the ordering account, and orders received from the public, including State and local governments, to the extent they are accompanied by an advance.

#### **II. BACKGROUND ON GSA'S REVOLVING FUNDS**

In FTS reimbursable agreements are financed through two intragovernmental revolving funds: the Information Technology Fund (IT Fund) and the General Supply Fund (GS Fund). The IT Fund provides the financial mechanism through which information technology and telecommunications products and/or services are procured from vendors and then billed to and reimbursed by Federal agencies. The General Supply Fund is the FTS funding mechanism for the Professional Services (non-IT) activities.

Reimbursable agreements accepted and executed in the IT Fund or the GS Fund for a

requesting agency with an existing bona fide need of the agency under a reimbursable agreement are recorded as obligations by the customer agency and are similar in nature to a contract with the private sector. Therefore, the funds provided via the reimbursable agreement are available for obligation purposes within the IT Fund and GS Fund for the entire period of contract performance, even if such performance crosses fiscal years. However, the statutes authorizing the IT Fund and the GSF do not authorize an agency to do indirectly what it cannot do directly under the constraints and limitations of its appropriations as enacted by Congress. The agency cannot contract with FTS for future years' needs or use funds for any purpose other than that specifically authorized by Congress when the funds were appropriated to the agencies. Neither the IT Fund nor the GS Fund may be used as a means to "hold" funds for a customer agency's future year needs.

In FTS, a reimbursable agreement is formalized in a number of ways such as an Interagency Agreement (IA), a Memorandum of Agreement (MOA), or a Memorandum of Understanding (MOU) with an accompanying customer funding document and FTS acceptance. FTS acceptance is required on all funding documents such as Military Interdepartmental Purchase Request (MIPR) and MIPR Acceptance. Normally, no acquisition or services may be performed by FTS until a reimbursable agreement is properly executed including funding documents. There may be requirements of such a priority that acquisition planning activities by FTS may be needed prior to the receipt and acceptance of a reimbursable order. In such a case, acquisition planning activities by FTS may be initiated prior to the receipt and acceptance of a reimbursable order by requesting in writing the approval of the Business Unit Manager and the FTS Office of the CFO. The request should set forth the reasons for the exception and an estimate of the cost that would be incurred prior to the receipt of the order.

### **III. APPLICABILITY/SCOPE**

This memo applies to all reimbursable agreements entered into between FTS and other Federal Agencies or FTS and other non-Federal sources when authorized by statute. This guidance also applies to recurring, utility-based services, such as network services with modifications. In the case of network services, agency funding documents are not routinely issued and accepted for the services but are directly ordered by the agency and billed back to the Federal Agency by FTS. Since there is no reimbursable order, FTS does not maintain the status of funds as is commonly done on reimbursable agreements.

### **IV. Proper and Valid Transactions**

#### **A. Reimbursable Agreements and Valid Obligations**

The acceptance of a reimbursable agreement within FTS must be based on an intention to execute the agreement within a reasonable time after acceptance.

In order for the obligation by the requesting agency to be valid:

- (1) The funds must be available for obligation by the requesting agency,
- (2) GSA and the requesting agency must execute a binding reimbursable agreement, and
- (3) The agency must have a current specific need for the goods or services (bona fide need) to be provided by FTS at the time the agency enters into the reimbursable agreement.

For the requesting agency to record an obligation in its financial system, there does not have to be a contract or a task order in place because the reimbursable agreement itself is in the nature of a contract for the purpose of recording a valid obligation. The obligation is valid since, under the agreement, FTS must perform and the cost of the performance must be reimbursed by the requesting agency.

## **V. Contract Type and Fiscal Year Chargeable**

All Government funds (i.e. those of the requesting agency and those contained within the IT Fund and the GS Fund) may be used only for the purposes for which they were appropriated or as otherwise specifically authorized by law. The requesting agency funds must be obligated by that agency during the period of their availability (usually during a single fiscal year) and can be placed in the IT Fund or the GS Fund only if the customer agency has a current, bona fide need for the services or commodities ordered. The type and term of the contract must also be considered in the determination of which fiscal year funds can be obligated. This differs based on whether it is a contract for severable services or for non-severable services or supplies. The test in a service contract case for determining whether the agency must charge the appropriation current on the date the contract is made, or charge the appropriation current at the time the services are rendered, depends upon whether the contracted-for services are severable or non-severable (or "entire"). The requesting agency, in conjunction with FTS, must determine, based upon all the facts, whether the contract is severable or non-severable.

### **A. Contracts for Severable Services**

Contracts for severable services may be for a period of up to one calendar year, even if the period begins in one fiscal year and ends in the next fiscal year. Funds made available in the fiscal year in which the contract is entered may be obligated for the total amount of the contract 41 U.S.C. 253f; 10 U.S.C. 2410a.

### **B. Contracts for Non-severable Services and Supplies**

Contracts for non-severable services and supplies may be awarded as multiyear contracts for a period of up to 5 years pursuant to 41 U.S.C. 254c. The appropriation current at the time the contract is entered into must be sufficient at a minimum to fund the costs of the first fiscal year in which the contract is in effect and the estimated costs associated with any termination or cancellation liability under the contract. An agency may also elect to fund a multiyear contract at a higher level in the first or any subsequent fiscal year up to the full amount of the remaining contract value.

## **VI. Definitions**

A starting point for determining whether the IT fund or the GS Fund is properly chargeable for a reimbursable agreement, are the definitions of Information Technology as provided in the Clinger Cohen Act and the Federal Acquisition Regulations (FAR), and the FAR definitions of "advisory and assisted services" and "construction". These definitions are contained in Part 2.

## VII. Guidance on Determining which Fund is Properly Chargeable

Many reimbursable agreements will contain requirements that are clearly and entirely within the definitions of IT and Telecommunications and are to be executed within the IT Fund. Other reimbursable agreements contain requirements for advisory and assistance services as classified in one of the definitional subdivisions of the FAR and would therefore be executed using the GS Fund. Finally, there are instances in which a reimbursable agreement may include requirements that are not clearly and entirely IT or advisory and assistance services. In these cases, a determination must be made to ascertain which fund is properly chargeable. The following sections provide guidance to be used to make these determinations.

### A. Information Technology (IT) Fund

The following provides guidance concerning the execution of reimbursable agreements that, although predominantly IT also include requirements for products or services that can only be satisfied with non-IT products and services. Therefore, a determination must be made concerning the treatment of the non-IT requirements. Specifically, the alternatives are as follows:

- First, IT and non-IT requirements are properly procured on a single contractual instrument citing only the IT Fund
- Second, IT and non-IT items are procured on a single contractual instrument citing both the IT Fund and the GS Fund
- Third, IT and non-IT items are procured on a different contractual instruments each independently citing the IT Fund and the GS Fund

#### 1. Criteria for Determining the Execution of Non-IT Products/Services within the IT Fund

The determination of whether a reimbursable agreement containing IT requirements and supporting non-IT requirements may be executed within the IT Fund on a single contract is based on the legislation which established the IT Fund (40 U.S.C. 322). The determination applies regardless of whether the acquisition is executed in the IT Fund using an IT or Telecommunications Governmentwide Acquisition Contract (GWAC), telecommunication contract or an FSS Group 70 IT Multiple Award Schedule (MAS) contract. In other words, the determination is not made based on the contractual instrument used to ultimately procure the requested products and/or services.

The statute for the IT Fund (40 U.S.C. 322) sets forth the costs that are properly reimbursed through the IT Fund. This statute indicates that the IT Fund is available for expenses and for procurements of not only IT resources, but for those expenses necessary to efficiently manage, coordinate, operate and use those resources. Also included is a definition of specifically included items (information processing and transmission equipment, software, systems, operating facilities, and supplies) and related services including maintenance and repair. Therefore, the statute is interpreted to permit financing of expenses of non-IT products/services in support of the IT as defined in 40 U.S.C. 11101(6) and 48 C.F.R. 2.101 (FAR). **The determining factor for establishing that the non-IT costs are properly**

chargeable to the IT Fund is that the non-IT products and services are “***related to***”, that is, they are ***integral to*** and ***necessary for*** the IT. (See Appendix A for examples.)

Whether or not non-IT products/services are considered “related to” and may be legally and appropriately included in a single procurement instrument for IT products and services, depends upon a two-part determination based upon the “systems concept”. Specifically, the systems concept is defined as encompassing all elements that are necessary for a complete and usable end item as set forth in the statement of work on a reimbursable order. Elements that are not specifically IT should be included as part of the IT system only if they meet the following criteria:

- First, the non-IT portion must be ***integral to*** the IT portion.
- Second, the non-IT product/service must be ***necessary for*** the IT end item usage.

In other words, the end item would not be usable in the absence of the non-IT product or service. If the non-IT requirements meet both criteria above, as part of the overall systems concept, then they are properly chargeable to the IT Fund as related services.

For example, if a federal agency has requested by means of a reimbursable order the design, development and implementation of a local area network, all of the elements and/or components that are needed to construct the usable end item are part of the overall system and may be funded through the IT Fund. This includes the components and/or elements such as hardware, software, fixtures, wiring and cabling and possible construction that are all interdependent to providing a usable end item. Each of the elements or components are ***integral to*** and ***necessary for*** a fully functioning local area network, which it is the deliverable as described in the statement of work.

Appendix A provides other examples and explanations for determining whether the statements of work that include elements that are not IT should be executed within the IT Fund under the “systems concept”. These examples are intended to provide a clearer understanding of what constitutes ***integral to*** and ***necessary for*** elements or components. Various regional and central office organizational units submitted these examples.

## **B. General Supply (GS) Fund**

### 1. Criteria for Determining the Execution of Reimbursable Order within the GS Fund that include IT Product/Services

Similarly, there are reimbursable orders for personal property and nonpersonal services that are executed within the GS Fund that require reasonably related products and services, including IT. The determination as to whether these costs are reasonably related products and services, and may be reimbursed through the GS Fund, are based on the criteria discussed above. Specifically, these reasonably related products and services, including IT, must be ***integral to*** and ***necessary for*** the non-IT product and/or services prescribed in the reimbursable agreement, which is to be executed in the GS Fund.

For example, a federal agency requests a study of its management, strategic planning, budget formulation, external and internal financial reporting, and capital planning and investment control processes. In order to conduct the planned analysis and to report the results, the captured data must be entered into an established database. This effort requires assessments and analysis, data entry and data manipulation to generate reports. The IT effort (namely, the data entry and data manipulation) is *integral to* and *necessary for* the study. Therefore, the IT costs are reasonably related to the non-IT portion and should be reimbursed through the GS Fund.

### **C. Statements of Work Requiring Additional Management Reviews**

There may be statements of work that include elements or components that are within the **systems concept** but are of such monetary magnitude that as a matter of policy additional management reviews of the statement of work should be conducted before commencing the acquisition. These additional reviews are required for any reimbursable order that involves construction, as defined in Appendix A, which constitutes a significant percentage of the overall effort/cost of the requirement.

In general, *construction costs that constitute a significant percentage* of a service must be approved by additional management levels and/or General Counsel. The examples in Appendix A delineate the specific percentages concerning construction costs relative to various types of service and the required approval authorities that must be obtained in order to execute the reimbursable order.

Additionally, there may be statements that do not clearly meet the systems/solution concept because there are elements and/or components that are questionable regarding whether they are integral to and necessary for a usable end item. In these situations, the statements of work should be reviewed as a matter of policy by additional management levels and/or counsel before commencing the acquisition.

### **D. Other Considerations**

Depending on the nature of the requirements involved (e.g., incidental construction), it may be necessary to include other clauses and provisions. If requirements are incidental to the contract and they are not severable, then under FAR 22.402 the Davis Bacon Act does not apply. Contracting officers should consult the FAR and legal counsel to determine final applicability of the Davis Bacon Act to construction services contemplated by this memorandum. Requirements by occupants in federal buildings as well as in leased space must be coordinated by FTS with the Public Buildings Service (PBS) to assess adherence to PBS or lessor requirements and practices for wiring, cabling or installation of antenna.

## **VIII. Financial Procedures**

### **A. Content and Establishment**

The requesting agency must have a current bona fide need for the goods or services to be provided by FTS at the time the agency enters into the reimbursable agreement. FTS must ensure that reimbursable agreements accepted reflect this requirement. In the case of



services, if applicable, FTS should work with clients to define the bona fide need in a non-severable manner.

Future needs or needs outside the scope of the reimbursable agreement **shall not** be added to the reimbursable agreement.

FTS cannot accept funds from an Agency without a valid document number and accounting code. Therefore, all funding documents must provide the requesting agency's valid accounting information. Accounting information must be verified as a valid accounting citation (including a proper line of accounting and, for DOD activities, a DODAAC code) prior to acceptance of any requesting agency's funding document. If a requesting agency is operating under a continuing resolution (CR) the requesting agency should only be obligating in accordance with the guidance specified in the CR.

Reimbursable agreements **must** meet the following criteria:

- (1) The scope of the reimbursable agreements must be clearly and sufficiently detailed so that the bona fide need of the requesting agency is evident.
- (2) Requirements outside the scope of the original reimbursable agreement cannot be supported through the reimbursable agreement.
- (3) In the case of the interagency agreement as the reimbursable agreement, all funding documents must represent a bona fide need that is within the scope of the MOU.

Reimbursable agreements and customer funding documents that are not in accordance with the above **shall not** be accepted from the customer agency until they are modified to meet the requirements.

## **B. Commencement of Performance and Procurement**

FTS must initiate performance and procurement under the reimbursable agreement within a reasonable time after its acceptance, considering all facts including administrative and procurement lead-time.

An accepted reimbursable agreement is required prior to obligating funds for any commodities and/or services for a federal agency. All task and delivery orders issued under the reimbursable agreement must contain the signature of a contracting officer within FTS after certification of fund availability. The task/delivery order will require the vendor to comply with specific delivery and invoicing requirements. The FTS administering organizational unit is to monitor the status of execution, delivery of commodities and/or services and invoicing to ensure the vendor is executing in accordance with the terms and conditions established.

Delivery is a key component of the procurement process and must be in accordance with the delivery instructions contained in the task/delivery order. Additionally, it is a common practice within government procurement that a valid and complete Material Inspection and Receiving Report (i.e., DD Form 250 or GSA Form 3025) be completed by the accepting governmental organization. There are practices within FTS, referred to as "constructive receipt", in which

payment is made based upon the submission of a vendor's invoice which serves as documentation that delivery and acceptance have been made. This practice, which is used in the absence of a receiving report, should not be continued.

Invoicing must be in accordance with the terms and conditions of the task/delivery order, and must comply with the provisions of the Prompt Payment Act. The Prompt Payment Act requires the government to make timely payments to vendors. Bills are to be paid within 30 days after receipt and acceptance of commodities and/or services or upon receipt of a properly tendered invoice whichever is later. The Prompt Payment Act allows seven days for returning an improperly prepared invoice.

### **C. Billing of Federal Agency for Commodities and/or Services Performed under the Reimbursable Agreement**

Work performed under a reimbursable agreement shall be billed to the requesting agency. The bill must contain the document number, fund citation, and the billing address. Billings by FTS are to be made on a regular basis to recover costs incurred by FTS after the commencement of services by FTS and/or the vendor. Billings result in the generation of accounts receivable and revenue; and cost of goods sold (flow-through) or operating expense and accounts payable are a result of performing the services. Costs and related billings may not be made in excess of the amount of the reimbursable agreement.

### **D. Advance billings**

Advance billings are those bills sent to the requesting agency for payment prior to the commencement of services by FTS and the incurrence of costs associated with the reimbursable agreement. Advance billings may be requested on an exception basis and must be in accordance with the business rules contained in the OMB Policy on Advance Payments.

These business process rules were effective as of January 1, 2003 for all intragovernmental purchases of goods and services, except for purchase card acquisitions, national emergencies, and national security considerations, as authorized by the Administrator (or designee). Accordingly, the official policy on advance payments, whether making or receiving them, is established as follows:

1. The business process rules are on a "go-forward" basis. Unfilled intragovernmental orders that were placed prior to January 1, 2003, do not have to follow the business process rules.
2. There will be no advance payments for service orders unless explicitly required by law or approved by the FTS Chief Financial Officer. Progress payments and periodic payments are permissible.
3. Advances are permitted for orders for goods that exceed \$1,000,000. The advance may not exceed 50% of the order amount. Unless explicitly required by law, there will be no advances for orders for goods that are less than \$1,000,000.
4. Advance payments made prior to the effective date of the business rules established by OMB are subject to the rule requiring status reports (see number 5, below).

5. For advance payments that are permitted, the buyer will record the payment as an "advance to". The seller will record the payment as an "advance from" and will provide monthly status reports to the buyer reflecting revenue earned. The buyer and seller will make appropriate adjustments to their respective advance accounts.

The advance-billing request requires a written justification by the requesting agency. Advance billing requests must be submitted via the appropriate Assistant Commissioner for approval by the FTS Chief Financial Officer prior to processing the billing. Advance billings must be paid by the requesting agency prior to commencement of services. The advanced amount is "drawn down" as payments are made to the contractor. If actual costs exceed the amount of the advance, the requesting agency will be billed for the difference. If costs are less than the advance amount, FTS must refund the difference to the client agency.

#### **E. Uncommitted, Residual, or Excess Funds Under the Service Agreement**

Funds remaining on a reimbursable agreement are considered residual or excess and must be returned to the client agency in a timely manner. These funds are not available to GSA for any new obligations or new requirements. Transfer of funds from one reimbursable agreement to another is not justified unless it is the transfer of work and funds to another FTS organization. In that case, a written amendment to the reimbursable agreement should be prepared, documenting the reasons and ensuring that the bona fide need still exists as originally stated, and is signed by the requesting agency and FTS.

#### **F. Close Out of Reimbursable Agreements**

Once the purpose of the reimbursable order has been fulfilled, FTS must ensure that reimbursable agreements are closed out. This includes:

- Ensuring contract close out for all contracts awarded to implement work described in the reimbursable agreement has been performed in accordance with Federal Acquisition Regulation (FAR) Part 4.8,
- Ensuring that residual, excess, or remaining obligations on completed tasks under the awarded contracts are liquidated,
- Issuing a final billing, as needed,
- Addressing accounts receivable issues such as resolving disputes and confirming that accounts are collected,
- Advising the client agency of any remaining uncommitted funds from the project.
- Returning excess funds.

#### **G. Direct Citation Orders**

A Direct Citation Order is a written request for procurement activity by FTS on behalf of a federal agency on other than a reimbursable basis. Specifically, in a direct citation order the federal agency is requesting procurement activity by FTS but the funding that finances the task/delivery order is not recorded as an obligation of the IT Fund but directly cites the accounting citation of the requesting federal agency. Therefore, the subsequent billing and payment to the vendor processed is not processed through the IT Fund but is directly charged to the requesting federal agency's line of accounting within their own accounting and reporting system.

Contracting Officers have authority to enter into, administer, or terminate contracts. Contracting Officers may bind the government only to the extent of the authority delegated to them. Responsibility for and authority to obligate an agency's appropriations rests with the Agency Head. Agency Heads may mutually agree to assign contracting functions and responsibilities, which include the obligation of that agency's funds, from one agency to another. Obligation of another agency's funds cannot occur absent such a delegation. Moreover, FTS should only accept direct fund cite orders and provide procurement support for programs that are financed through the IT Fund and GS Fund. The requesting agency must, at a minimum, specify which orders are direct fund citation orders, certify that the funds are available and a commitment has been made and the requirement is adequately detailed. Also, FTS must ensure that there is a process in place for GSA to bill for the procurement support services provided and FTS must ensure that the contract action adequately reflects that the contractor is to bill the requesting agency directly.

As indicated above, a direct citation order does not result in an obligation of the requesting agency until FTS has executed a task/delivery order with the vendor. Therefore, FTS must notify the requesting federal agency that the task/delivery order has been executed and provide them with written documentation to support the obligation.

## **IX. Responsibilities**

The Business Unit Manager, Assistant Regional Administrator (ARA), and other designated personnel have a fiduciary responsibility for the business/financial and acquisition operations of their organizational unit's involvement in accepting and executing reimbursable agreements. These managers should be assisted by a Business/Financial Manager who should provide guidance concerning the financial administration of the reimbursable agreements. Business Unit Managers shall provide timely, appropriate notification to the Office of the FTS Chief Financial Officer about any sensitive reimbursable agreements or actions. Additionally, the General Counsel's staff should be consulted whenever there is need for clarification on matters relating to reimbursable agreements.

Business Unit Managers and Assistant Regional Administrators must have a system of internal controls to verify and periodically review reimbursable agreements. The internal controls will include both appropriate administrative and financial controls. The latter controls should consist of a plan to periodically examine reimbursable agreements to ensure that they are being executed in accordance with all statutes and guidance.

The internal controls over the acceptance and execution of reimbursable agreements must ensure the following:

- a. Reimbursable agreements are approved and accepted in accordance with all statutes and these procedures;
- b. The necessary internal approvals of reimbursable agreements are obtained;
- c. Copies of reimbursable agreements are maintained;
- d. Reimbursable agreements are executed in accordance with approved fee structures;
- e. Obligations and accrued expenses applicable to reimbursable agreements are promptly and accurately recorded and do not exceed the amount of the reimbursable agreement;
- f. Periodic reviews are performed.

**The Business/Financial Managers must assist in:**

- a. The review of reimbursable agreements for adequacy and accuracy of relevant accounting and funding data, provision of billing information and addresses, fee structure and financial closeout procedures.**
- b. Certifying fund availability for each reimbursable agreement to ensure that task orders incurred in the performance of a reimbursable agreement do not exceed the authority provided in the reimbursable agreement.**
- c. Advising the Regional Manager or other designated manager that additional authority must be obtained from the agency before incurring any additional cost if an agreement requires additional funding in excess of the reimbursable authority provided.**
- d. Developing and maintaining accurate and timely financial information on the status of reimbursable agreements.**

## **Part 2 Statutory Authorities**

### **I. Intragovernmental Revolving Funds for FTS**

An intragovernmental revolving fund permits the financing of a cycle of operations in which billings and collections are remitted by a requesting agency in fulfillment of a reimbursable agreement to maintain the principal of the fund. Intragovernmental revolving funds are established by statute for designated purposes and cannot be used for any purpose other than that stipulated in legislation.

The statutory language of each fund states the purpose for which the fund is legally available in accordance with the intent of Congress. The text of each fund can be found by statutory citations referencing the United States Code.

#### **A. Information Technology Fund**

The IT Fund is an intragovernmental revolving fund described in 40 U.S.C. 322. The specific language is as follows.

##### *40 U.S.C. 322. Information Technology Fund*

(a) Existence. There is an Information Technology Fund in the Treasury.

(b) Cost and capital requirements.

(1) In general. The Administrator of General Services shall determine the cost and capital requirements of the Fund for each fiscal year. The cost and capital requirements may include amounts -

(A) needed to purchase (if the Administrator has determined that purchase is the least costly alternative) information processing and transmission equipment, software, systems, and operating facilities necessary to provide services;

(B) resulting from operations of the Fund, including the net proceeds from the disposal of excess or surplus personal property and receipts from carriers and others for loss or damage to property; and

(C) that are appropriated, authorized to be transferred, or otherwise made available to the Fund.

(2) Submitting plans to Office of Management and Budget. The Administrator shall submit plans concerning the cost and capital requirements determined under this section, and other information as may be requested, for review and approval by the Director of the Office of Management and Budget. Plans submitted under this section fulfill the requirements of sections 1512 and 1513 of title 31.

(3) Adjustments. Any change to the cost and capital requirements of the Fund for a fiscal year shall be made in the same manner as the initial fiscal year determination.

(c) Use.

(1) In general. The Fund is available for expenses, including personal services and other costs, and for procurement (by lease, purchase, transfer, or otherwise) to efficiently provide information technology resources to federal agencies and to efficiently manage, coordinate, operate, and use those resources.

(2) Specifically included items. Information technology resources provided under this section include information processing and transmission equipment, software, systems, operating facilities, supplies, and related services including maintenance and repair.

(3) Cancellation costs. Any cancellation costs incurred for a contract entered into under subsection (e) shall be paid from money currently available in the Fund.

(4) No fiscal year limitation. The Fund is available without fiscal year limitation.

(d) Charges to agencies. If the Director approves plans submitted by the Administrator under subsection (b), the Administrator shall establish rates, consistent with the approval, to be charged to agencies for information technology resources provided through the Fund.

(e) Contract authority.

(1) In general. In operating the Fund, the Administrator may enter into multiyear contracts, not longer than 5 years, to provide information technology hardware, software, or services if -

(A) amounts are available and adequate to pay the costs of the contract for the first fiscal year and any costs of cancellation or termination;

(B) the contract is awarded on a fully competitive basis; and

(C) the Administrator determines that -

- (i) the need for the information technology hardware, software, or services being provided will continue over the period of the contract;
- (ii) the use of the multiyear contract will yield substantial cost savings when compared with other methods of providing the necessary resources; and
- (iii) the method of contracting will not exclude small business participation.

(2) Effect on other law. This subsection does not limit the authority of the Administrator to procure equipment and services under sections 501-505 of this title.

(f) Transfer of uncommitted balance. After the close of each fiscal year, any uncommitted balance remaining in the Fund, after making provision for anticipated operating needs as determined by the Office of Management and Budget, shall be transferred to the Treasury as miscellaneous receipts.

(g) Annual report. The Administrator shall report annually to the Director on the operation of the Fund. The report must address the inventory, use, and acquisition of information processing equipment and identify any proposed increases to the capital of the Fund.

## **B. General Supply Fund**

The General Supply Fund is an intragovernmental revolving fund established under 40 U.S.C 321. The language states, in general, that the Fund is available for procuring personal property and nonpersonal services for federal agencies. The specific language is as follows.

### *40 U.S.C. 321. General Supply Fund*

(a) Existence. The General Supply Fund is a special fund in the Treasury.

(b) Composition.

(1) In general. The Fund is composed of amounts appropriated to the Fund and the value, as determined by the Administrator of General Services, of personal property transferred from executive agencies to the Administrator under section 501(d) of this title to the extent that payment is not made or credit allowed for the property.

(2) Other credits.

(A) In general. The Fund shall be credited with all reimbursements, advances, and refunds or recoveries relating to personal property or services procured through the Fund, including -

- (i) the net proceeds of disposal of surplus personal property; and
- (ii) receipts from carriers and others for loss of, or damage to, personal property.

(B) Reappropriation. Amounts credited under this paragraph are reappropriated for the purposes of the Fund.

(3) Deposit of fees. Fees collected by the Administrator under section 313 of this title may be deposited in the Fund to be used for the purposes of the Fund.

(c) Uses.

(1) In general. The Fund is available for use by or under the direction and control of the Administrator for -

(A) procuring, for the use of federal agencies in the proper discharge of their responsibilities -

- (i) personal property (including the purchase from or through the Public Printer, for warehouse issue, of standard forms, blankbook work, standard specifications, and other printed material in common use by federal agencies and not available through the Superintendent of Documents); and



(ii) nonpersonal services;

(B) paying the purchase price, cost of transportation of personal property and services, and cost of personal services employed directly in the repair, rehabilitation, and conversion of personal property; and

(C) paying other direct costs of, and indirect costs that are reasonably related to, contracting, procurement, inspection, storage, management, distribution, and accountability of property and nonpersonal services provided by the General Services Administration or by special order through the Administration.

(2) Other uses. The Fund may be used for the procurement of personal property and nonpersonal services authorized to be acquired by -

(A) mixed-ownership Government corporations;

(B) the municipal government of the District of Columbia; or

(C) a requisitioning non-federal agency when the function of a federal agency authorized to procure for it is transferred to the Administration.

(d) Payment for property and services.

(1) In general. For property or services procured through the Fund for requisitioning agencies, the agencies shall pay prices the Administrator fixes under this subsection.

(2) Prices fixed by Administrator. The Administrator shall fix prices at levels sufficient to recover -

(A) so far as practicable -

(i) the purchase price;

(ii) the transportation cost;

(iii) inventory losses;

(iv) the cost of personal services employed directly in the repair, rehabilitation, and conversion of personal property; and

(v) the cost of amortization and repair of equipment used for lease or rent to executive agencies; and

(B) properly allocable costs payable by the Fund under subsection (c)(1)(C).

(3) Timing of payments.

(A) Payment in advance. A requisitioning agency shall pay in advance when the Administrator determines that there is insufficient capital otherwise available in the Fund. Payment in advance may also be made under an agreement between a requisitioning agency and the Administrator.

(B) Prompt reimbursement. If payment is not made in advance, the Administration shall be reimbursed promptly out of amounts of the requisitioning agency in accordance with accounting procedures approved by the Comptroller General.

(C) Failure to make prompt reimbursement. The Administrator may obtain reimbursement by the issuance of transfer and counterwarrants, or other lawful transfer documents, supported by itemized invoices, if payment is not made by a requisitioning agency within 45 days after the later of--

- (i) the date of billing by the Administrator; or
- (ii) the date on which actual liability for personal property or services is incurred by the Administrator.

(e) Reimbursement for equipment purchased for Congress. The Administrator may accept periodic reimbursement from the Senate and from the House of Representatives for the cost of any equipment purchased for the Senate or the House of Representatives with money from the Fund. The amount of each periodic reimbursement shall be computed by amortizing the total cost of each item of equipment over the useful life of the equipment, as determined by the Administrator, in consultation with the Sergeant at Arms and Doorkeeper of the Senate or the Chief Administrative Officer of the House of Representatives, as appropriate.

(f) Treatment of surplus.

(1) Surplus deposited in treasury. As of September 30 of each year, any surplus in the Fund above the amounts transferred or appropriated to establish and maintain the Fund (all assets, liabilities, and prior losses considered) shall be deposited in the Treasury as miscellaneous receipts.

(2) Surplus retained. From any surplus generated by operation of the Fund, the Administrator may retain amounts necessary to maintain a sufficient level of inventory of personal property to meet the needs of the federal agencies.

(g) Audits. The Comptroller General shall audit the Fund in accordance with the provisions of chapter 35 of title 31 [31 U.S.C. 3501 et seq.] and report the results of the audits.

## **II. Statutory Authorities Applicable to Acceptance of Reimbursable Agreements within FTS**

### **A. General**

The acceptance and execution of a reimbursable agreement within an intragovernmental revolving fund are accomplished under a specific statutory authority. It should be noted that the underlying authority to accept and execute a reimbursable agreement is not the same as the enabling legislation that establishes the revolving fund used to fund the transaction. The authority to procure goods and services for Federal agencies and other non-Federal sources, when authorized by statute is discussed below. Authority for FTS to engage in interagency transactions is found in the Clinger-Cohen Act, as implemented, and 40 U.S.C. 501 (formerly section 201 of the Property Act). These authorities are normally used within FTS rather than the Economy Act (31 U.S.C. 1535). The Economy Act only applies in those instances when more specific authority does not exist. Within FTS, the following, more specific statutory authority exists as discussed below.

## **B. Authority to Accept Reimbursable Orders**

### **1. The Information Technology Management Reform Act of 1996 (now known as the "Clinger-Cohen Act of 1996" (40 U.S.C. 11101-11704))**

The Clinger-Cohen Act repealed the Brooks Act and transferred responsibility for government-wide acquisitions of IT to the Office of Management and Budget (OMB). Pursuant to 40 USC 11302(e), OMB designated GSA as an executive agent for government-wide contracts (GWACs) for IT. The scope of this designation is limited to those programs funded on a reimbursable basis through the Information Technology Fund, 40 U.S.C. 322, and which have been or may be approved by OMB as part of the annual cost and capital plan for that fund. 40 USC 11314(a) provides that agencies may acquire IT for themselves as authorized by law and that they may contract for IT using multi-agency contracts (MACs) in accordance with OMB guidance. Under Clinger-Cohen, GSA retained authority to manage FTS2000 and follow-on programs (40 USC 13114(b), and to continue to operate the governmentwide MAS program for IT resources (40 USC 11701).

### **2. The Property Act (repealed and re-enacted as 40 U.S.C. 501-506)**

GSA has authority to procure and supply personal property and nonpersonal services for executive agencies under the authority of 40 U.S.C. 501. Additionally GSA has authority to execute procurement and supply services for the non-federal sources authorized by statute to use GSA contracts under the authority of 40 U.S.C. 502.

### **3. The Economy Act (31 U.S.C. 1535)**

Absent more specific statutory authority, the Economy Act, 31 U.S.C. 1535, applies to interagency acquisitions of goods and services. However, because GSA is operating as an Executive agent for the Government-wide Acquisition of information technology pursuant to OMB's Designation under the Clinger-Cohen Act, and under 40 USC 501-506 for other acquisitions, the Economy Act normally does not apply to reimbursable agreements accepted by FTS.

## **III. General Fiscal Principles Applicable to Reimbursable Agreements**

In the acceptance and execution of a reimbursable agreement, it is necessary to make a determination as to whether the reimbursable agreement meets certain criteria as well as making a determination as to the authority to accept and execute the agreement. Additionally, it is incumbent that a determination be made as to which fund is appropriately chargeable for the acceptance and execution of the reimbursable agreement. The financial responsibility determination is based on the statement of work which describes the commodities and/or services that are to be procured and the FTS evaluation of the statement of work relative to the statutory language and guidance contained herein as to the appropriate fund in which to execute the agreement.

The legal availability of appropriations is defined in terms of three elements - purpose, time and amount. It is primarily the responsibility of the requesting agency to ensure compliance

with all applicable statutes, regulations and internal budget/financial policies concerning the use of the appropriations provided to the agency. However, it is also incumbent upon the accepting agency (FTS) to conduct a reasonable and prudent examination of the reimbursable agreement to determine if it is in compliance with the following requirements that apply to all government funds. Once identified, FTS must apply all agency requirements, restrictions, and limitations.

#### **A. Purpose Statute (31 U.S.C. 1301)**

The Purpose Statute provides that appropriations shall be applied only to the objects for which they were made, except where otherwise specifically provided by law. In other words, budget authority provided in an Appropriation Act must be used solely for the purposes provided by law, and may not be used for any other purposes. The Purpose Statute also applies to revolving funds. The use of an appropriation or fund that is not in accordance with its stated purpose is improper regardless of whether the effort/contracts executed within the fund were of benefit or needed by the requesting agency.

Violations of the Purpose Statute may result in a violation of the Antideficiency Act. This is because funds used for an unauthorized purpose have by definition been used in excess of amounts appropriated (since no funds in the account were appropriated for the unauthorized purpose). This will result in a violation of the Antideficiency Act in most, if not all, cases.

#### **B. Time**

Appropriations are classified in several different categories based on their length of availability. The period of availability of an appropriation may be annual, multiple year, or no-year. Appropriations may be also classified as (1) currently available for obligation, (2) expired, and (3) closed. The acceptance of a reimbursable agreement and funding through a revolving fund does not allow the customer agency to extend the period of availability of an appropriation beyond that which was enacted by the Congress.

During the period of availability, the appropriation may be used for incurring new obligations. After the period of availability, the appropriation "expires" and cannot be used for new obligations. The expired period is five years after the appropriation's period of availability. During the expired period, the appropriation is available to make payments on valid obligations and for obligational adjustments to previous valid obligations (i.e., antecedent liabilities) entered into during its period of availability. There may be specific restrictions concerning obligation adjustments during the expired period which are applicable to various federal agencies. After the five-year expiration period, the appropriation is closed.

#### **C. Amount**

Once it is determined that an appropriation is available for a particular purpose and is obligated during the period of its availability, the customer agency must also ensure that there is a sufficient amount available to cover obligations. There are a number of restrictions relating to "amount." There are the Antideficiency Act restrictions discussed below as well as the rule prohibiting the unauthorized "augmentation" of appropriations.

#### **D. Bona Fide Needs Rule (31 U.S.C. 1502)**

This statute provides that the balance of an appropriation or fund is limited for obligation to a definite period of time. That is, an appropriation may be obligated only to meet a legitimate, or bona fide, need arising in the period for which the appropriation was made. However, the appropriation or fund is not available for obligation for future needs beyond the period authorized by law. Determining whether a bona fide need exists is primarily the responsibility of the requesting agency; however, FTS must not accept a reimbursable agreement if the agreement does not serve a current bona fide need that is specific, definite, and clear. In other words, it is improper to accept an agency's annual funds within a GSA fund to cover future year needs of an agency. Future needs or needs not identified outside the scope of the basic reimbursable agreement cannot be added to the reimbursable agreement unless there is a formal amendment to the agreement or issuance of a new reimbursable agreement, whichever is more appropriate. The amendment or new reimbursable agreement must be funded with funds current in the fiscal year of the amendment or new agreement.

#### **E. Application of the Antideficiency Act to Reimbursable Orders**

The Antideficiency Act provides that an officer or employee of the United States Government may not make or authorize an expenditure or obligation in advance of or in excess of the amount available in an appropriation or fund for the expenditure or obligation. An officer or employee who knowingly and willfully violates the Antideficiency Act is subject to a fine of up to \$5,000 and imprisonment for up to two years or both, 31 U.S.C. 1350. Besides any liability or penalty under the statute, administrative actions may be initiated by the Agency.

Violations of the Antideficiency Act can occur in a revolving fund – at the Fund level (31 U.S.C. 1341) or at an administrative subdivision level (31 U.S.C. 1517). An Antideficiency Act violation primarily occurs at the Fund level if a deficit exists in the Fund Balance with Treasury (31 U.S.C. 1341 (a)(1)(A)). A revolving fund will not necessarily violate 31 U.S.C. 1517 if it incurs obligations, expenses or disbursements in excess of the amount of a reimbursable agreement. However, the amount in excess must be reimbursed by the customer agency or absorbed within the balance of the revolving fund.

#### **F. Augmentation**

As a general proposition, an agency may not augment its appropriations from outside sources without specific statutory authority. Another way of stating the augmentation rule is that when Congress appropriates funds for an activity, the appropriation represents a limitation Congress has fixed for the activity, and all expenditures for that activity must come from that appropriation absent express authority to the contrary. Thus, a federal agency is normally not eligible to receive funds from another federal agency. It is not permissible either for the customer agency's appropriation to be augmented by the revolving fund or for the revolving fund to be augmented by the customer agency's funds.

#### **G. Criteria for Recording Obligations (31 U.S.C. 1501)**

31 U.S.C. 1501(a) prescribes specific criteria for the recording of an obligation. The statute provides two criteria that must be met for an amount to be recorded as an obligation of the

United States Government. First, there must be documentary evidence of a binding agreement between an agency and another person (including an agency) that is in writing and is for a purpose authorized by law. Second, the agreement must be executed before the end of the period of availability of the funds. See 31 U.S.C.1501(a)(1). Reimbursable agreements entered into under the authorities used by FTS must meet these two criteria in order to be recorded as an obligation by the requesting agency.

A government appropriation may be available only for a fixed period of time or until a specified date. This availability generally relates to the authority to obligate the appropriation and not to the authority to make payments after the expiration date. The agency's ordering officials are responsible to ensure they have a current bona fide need and the authority to obligate funds. The agency should also certify that the funds it is citing are legally available for the purpose for which they are being used.

### 1. Deobligation

The definition of the term "deobligation" is a "downward adjustment of previously recorded obligations." Deobligations occur for a variety of reasons including the fact that the work ultimately contracted for was less than the maximum funds provided. Funds deobligated within the original period of obligational availability are once again available for new obligations just as if they had never been obligated in the first place. Naturally, any new obligations are subject to the purpose, time and amount restrictions governing the source appropriation.

Funds deobligated after the expiration of the original period of obligational availability are not available for new obligations. They may be retained as unobligated balances in the expired account until the account is closed, and are available for adjustments to any obligations incurred before the expiration.

A proper and unliquidated obligation should not be deobligated unless there is some valid reason to do so. Absent a valid reason, it is improper to deobligate funds solely to "free them up" for new obligations. To do so risks violating the Antideficiency Act.

## **IV. Definitions in Clinger-Cohen and the FAR**

To assist in the determination as to whether the IT Fund is properly chargeable for a reimbursable agreement, a starting point is the definition of Information Technology as provided in the Clinger-Cohen Act and the Federal Acquisition Regulations (FAR). Professional services meeting the FAR definition of "advisory and assistance services" should generally be funded through the GS Fund.

### **A. Information Technology as Defined in Clinger-Cohen**

#### 1. Information Technology.

The definition for Information Technology is set forth in 40 USC 11101(6), quoted as follows

(6) Information Technology. —The term "information technology"—

(A) with respect to an executive agency means any equipment or interconnected system or subsystem of equipment, that is used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information by the executive agency, if the equipment is used by the executive agency directly or is used by a contractor under a contract with the executive agency that requires the use —

- (i) of that equipment, or
- (ii) of that equipment to a significant extent in the performance of a service or the furnishing of a product.

(B) includes computers, ancillary equipment, software, firmware and similar procedures, services (including support services), and related resources.

(C) does not include any equipment that is acquired by a Federal contractor incidental to a Federal contract.

2. Information Resources.

The term "information resources" has the meaning given such term in section 3502(6) of title 44, United States Code. Title 44, United States Code, section 3502(6) states that the term "information resources" means information and related resources, such as personnel, equipment, funds, and information technology.

3. Information Resources Management.

The term "information resources management" has the meaning given such term in section 3502(7) of title 44, United States Code. Title 44, United States Code, section 3502(7) states that the term "information resources management" means the process of managing information resources to accomplish agency missions and to improve agency performance, including through the reduction of information collection burdens on the public.

4. Information System.

The term "information system" has the meaning given such term in section 3502(8) of title 44, United States Code. Title 44, United States Code, section 3502(8) states that the term "information system" means a discrete set of information resources organized for the collection, processing, maintenance, use, sharing, dissemination, or disposition of information.

5. Commercial Item.

The term "commercial item" has the meaning given that term in section 4(12) of the Office of Federal Procurement Policy Act (41 U.S.C. 403(12)). This statutory reference principally covers items customarily used by the general public or by nongovernmental entities for purposes other than governmental purposes.

## **B. Information Technology as Defined in the FAR**

The definition of "information technology" is also contained in the Federal Acquisition Regulation in Subpart 2.1 – Definitions. Specifically, the FAR defines information technology as follows.

"Information technology" means any equipment, or interconnected system(s) or subsystem(s) of equipment, that is used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information by the agency.

(1) For purposes of this definition, equipment is used by an agency if the equipment is used by the agency directly or is used by a contractor under a contract with the agency that requires-

- (i) Its use; or
- (ii) To a significant extent, its use in the performance of a service or the furnishing of a product.

(2) The term "information technology" includes computers, ancillary equipment, software, firmware and similar procedures, services (including support services), and related resources.

(3) The term "information technology" does **not** include any equipment that -

- (i) Is acquired by a contractor incidental to a contract; or
- (ii) Contains imbedded information technology that is used as an integral part of the product, but the principal function of which is not the acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information. For example, HVAC (heating, ventilation, and air conditioning) equipment, such as thermostats or temperature control devices, and medical equipment where information technology is integral to its operation, are not information technology.

"Electronic and information technology (EIT)" has the same meaning as "information technology" except EIT also includes any equipment or interconnected system or subsystem of equipment that is used in the creation, conversion, or duplication of data or information. The term EIT, includes, but is not limited to, telecommunication products (such as telephones), information kiosks and transaction machines, worldwide websites, multimedia, and office equipment (such as copiers and fax machines).

## **C. Advisory and Assistance Services as Defined in the FAR**

The Federal Acquisition Regulation also provides in Subpart 2.1 a definition of advisory and assistance services. Services meeting this definition should be funded by the General Supply Fund.

"Advisory and assistance services" means those services provided under contract by nongovernmental sources to support or improve: organizational policy development; decision-making; management and administration; program and/or project management and administration; or R&D activities. It can also mean the furnishing of professional advice or assistance rendered to improve the effectiveness of Federal management processes or



procedures (including those of an engineering and technical nature). In rendering the foregoing services, outputs may take the form of information, advice, opinions, alternatives, analyses, evaluations, recommendations, training and the day-to-day aid of support personnel needed for the successful performance of ongoing Federal operations. All advisory and assistance services are classified in one of the following definitional subdivisions:

(1) *Management and professional support services, i.e.*, contractual services that provide assistance, advice or training for the efficient and effective management and operation of organizations, activities (including management and support services for R&D activities), or systems. These services are normally closely related to the basic responsibilities and mission of the agency originating the requirement for the acquisition of services by contract. Included are efforts that support or contribute to improved organization of program management, logistics management, project monitoring and reporting, data collection, budgeting, accounting, performance auditing, and administrative technical support for conferences and training programs.

(2) *Studies, analyses and evaluations, i.e.*, contracted services that provide organized, analytical assessments/evaluations in support of policy development, decision-making, management, or administration. Included are studies in support of R&D activities. Also included are acquisitions of models, methodologies, and related software supporting studies, analyses or evaluations.

(3) *Engineering and technical services, i.e.*, contractual services used to support the program office during the acquisition cycle by providing such services as systems engineering and technical direction (see 9.505-1(b)) to ensure the effective operation and maintenance of a weapon system or major system as defined in OMB Circular No. A-109 or to provide direct support of a weapon system that is essential to research, development, production, operation or maintenance of the system.

## **V. Definitions**

As used throughout the memorandum, the following terms have the meaning indicated:

a. Appropriation: This is an authorization by an Act of Congress that permits Federal agencies to incur obligations and to make payments out of the Treasury for specified purposes.

b. Appropriated Fund: Federal funds are made available for obligation and expenditure by means of appropriation acts (or occasionally by other legislation). The use or availability of appropriations once enacted and released (that is the rules governing the purpose, amounts, manner, and timing of obligations and expenditures) is governed by various authorities: the terms of the appropriation act itself; any legislation authorizing the appropriation; the "organic" or "enabling" legislation which prescribes a function or creates a program which the appropriation funds; and the general statutory provisions which allow or prohibit certain uses of appropriated funds.

c. Bona Fide Need: A basic principle of government appropriation law is that an agency may obligate a fiscal year appropriation only to meet a legitimate, or bona fide, agency need of the

fiscal year in which the appropriation was made. The bona fide need rule is statutory, 31 U.S.C. 1502.

d. Budget Authority: This is the authority provided by Federal law to incur financial obligations.

e. Expenditure: This is the payment of an expense. An expenditure is the actual disbursement of funds.

f. General Supply Fund (GSF): The General Supply Fund is a revolving fund established under 40 U.S.C 321. The GSF is a full-cost recovery fund. The statute authorizes the Administrator to set prices/fees to recover the costs of providing supplies and services to Federal agencies.

g. Information Technology (IT) Fund: The IT Fund is a revolving fund established under 40 USC 322 that is available for expenses to efficiently provide information technology resources to Federal agencies". As a revolving fund, the IT fund provides the financial mechanism through which IT and telecommunication costs are paid to vendors and then billed to and reimbursed by Federal agencies. The IT Fund finances authorized activities such as salaries and benefits as well as the procurement of supplies and services requested by the agency. Once a requesting agency enters into a binding reimbursable agreement with FTS, the requesting agency may record a valid obligation in its accounting system.

Also see Part 2., Section III, G, Criteria for Recording Obligations, (31 U.S.C. 1501).

h. Interagency Acquisition: This is a procedure by which one Government agency (the requesting agency) obtains supplies or services from or through another Government agency (the servicing or performing agency). See Part 2., Section II, B, Authority to Accept Reimbursable Orders.

i. Non-Severable Service Contract: A non-severable service contract is one in which the agency receives value only when the entire service is performed. In other words, a non-severable task involves work that cannot be separated into components, but instead must be performed as a single task in order to meet a bona fide agency need. What constitutes a non-severable contract may vary depending upon context or circumstance. An agency must pay a non-severable service contract out of the appropriation current when the contract is executed. (See definition of severable services below.)

j. Multi-Year Contracts: Is a contract covering the requirements of more than one fiscal year.

k. Property Act Authority: The authority found at 40 USC 501-506. States that the Administrator of GSA may procure supply supplies and non-personal services for other government agencies and certain other entities.

l. Purpose Act: 31 USC 1301(a). States that appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law.

m. Obligation: This is a definite commitment by the Government to spend appropriated funds. A binding contract is an obligation. Obligations may not be made prior to the enactment of an appropriation or other statutory authority with the assumption that the funds will be made available upon enactment. An obligation is a binding commitment against an appropriation that will require expenditure at some later time.

n. Reimbursable Agreement: A reimbursable agreement is a written agreement between the requesting agency and FTS to perform work/services and procure services and commodities for the requesting agency. An order under the agreement must have the same elements as defined in the memorandum. An agency may validly record an obligation in three ways: 1) when the agency executes an Interagency Agreement with valid funding; 2) when the agency receives a signed acceptance of their funding document; or 3) when a Memorandum of Understanding is executed.

**Interagency Agreement (IA)** - As one form of a reimbursable agreement, an IA serves as the obligating document between FTS and the requesting agency. The IA describes the services and/or commodities to be provided in scope of the FTS support, the source and amount of funding, background information about the requesting agency and the project, and the terms and conditions of the intergovernmental relationship. IAs are often used when support is needed over a period of time. Requesting agencies' funding documents may be included as a part of the IA. The IA may, therefore, be executed through several contract actions.

**Memorandum of Understanding (MOU)** – An MOU may serve as the umbrella document that describes the scope, terms, and conditions of the intergovernmental relationship. An MOU must at a minimum address the scope and/or funding of the agreement. The bona fide need and funding amount may be provided by the requesting agency in the funding documents that are used to enter into contract actions. An MOU may have several funding documents supporting multiple contract actions.

**Acceptance of Funding Document** - As another form of reimbursable agreement, FTS accepts the requesting agency's funding document which identifies the requirements in either the funding document or a referenced attachment.

o. Reimbursement: Reimbursement to FTS for the cost of products and/or services requested by a government organization are based on the item's cost plus the approved FTS reimbursable rate developed annually. This ensures that FTS recovers the full cost of the product/service and cost of delivery of the product/service provided to the customer.

p. Revolving Fund: Under a revolving fund, receipts are credited directly to the fund and are available, without further appropriation by Congress (unless the legislation authorizing the fund specifies otherwise), for expenditures to carry out the purposes of the fund. An agency must have statutory authority to establish a revolving fund. The enabling statute will specify the receipts that must be credited to the fund and the purposes for which they may be expended.

q. Severable Service Contract: A severable service contract is one in which the client agency receives value as the service is rendered, or a task is severable if it can be separated into components, each of which can be independently performed to meet a separate agency need. Services that are continuing in nature are considered severable and the client agency must charge the costs to the fiscal year appropriation current at the time the services are rendered. Under the provisions of FAR 32.703-3, the head of an executive agency may enter into a contract, exercise an option, or place an order, under a contract for severable services for a period that begins in one fiscal year and ends in the next fiscal year if the period of the contract awarded, option exercised, or order placed, does not exceed one year (10 U.S.C. 2410a and 41 U.S.C. 2531). Funds made available for a fiscal year may be obligated for the total amount of an action entered into under this authority.

r. Supply Contracts: A supply contract is for goods or materials. When the government purchases goods or materials in one fiscal year and delivery occurs in whole or in part in a subsequent fiscal year, the question is whether the contract meets a bona fide need of the fiscal year in which the contract was awarded. Generally, an agency may not obligate funds in one fiscal year when it is apparent from the outset that there will be no requirement until the following fiscal year.

## **VI. INFORMATION**

Any comments or questions should be directed to the Office of the FTS Chief Financial Officer, on (703) 306-6102.

Attachment:

Appendix A – Financial Guidance Examples

## APPENDIX A FINANCIAL GUIDANCE EXAMPLES

Type of Service	Definition or Example	Acceptable under the IT Fund as IT Services? (Yes, no or depends)	Considerations	Notes
<b>Distribution Systems</b>	Cabling, horizontal and vertical wiring, conduits, enclosed ducts or raceways, inside/outside plant and support structures. Includes manholes, cable vaults, telephone poles, easement rights or other license fees.	Yes: Telecommunications distribution systems intended to provide voice, data or video connectivity or transmission are inherently IT, and therefore can be funded under the IT Fund. Construction and installation requirements can be funded under the IT Fund only if these activities are <i>integral</i> to the functionality of the overall distribution system. This would also involve trenching and backhoe if necessary to complete the project.  No: Installation of distribution systems for purposes other than IT, for example to provide electricity.	Are construction and installation requirements <i>integral</i> to the functionality of the distribution system?  Are requirements clearly identified and documented in the scope?  Is the purpose of the distribution system to provide voice, data or video connectivity or transmission?  Is it a low voltage signal system or optical distribution?	Construction: If the construction and installation is over 40% of the distribution system cost or \$500,000, whichever is less, the project requires the approval of the Director. If the construction and installation is over 50% of the distribution system cost or \$500,000 whichever is less. The project requires the approval of the ARA or AC. Anything over 60% requires a review by the Office of General Counsel.  Review levels set only as management control issue.
<b>Computer Tools</b>	Pliers, wire cutters, computer wrench set, crimpers, cable testers.	No: Tools of any kind, including computer tools, analytical test equipment such as data loggers, and network analyzers, should be purchased as personal property and not bought under the IT Fund.  Yes: These things can be ODCs when purchased with support services if maintenance agreement allows for purchase of computer tools.	What if needed to install IT and purchased at same time as IT?	
<b>Computer Room Construction</b> (See <i>Equipment</i> section for rules applying to purchase of IT equipment for a computer room.)	Design and construction of space for housing computer equipment such servers, routers, PBX, or other technology equipment. Typical computer room would include such things as raised floors, air conditioning, fire retardant system, and UPS.	Yes: Construction of a computer room can be funded under the IT Fund if the sole intent of the effort is to design and construct space to house <b>ONLY</b> IT equipment and part of the original scope.  No: Construction of a computer room cannot be funded under the IT Fund if intent is to principally house people permanently, or provide other facilities such as office space,	Does the planned scope clearly identify the effort as a turnkey implementation for establishing or upgrading computer rooms (UPS units, electrical upgrades, cooling requirements, etc) that coincides with the purchase of new hardware/software?	Construction: If the construction is over 10% or \$500,000, whichever is less, the project requires the approval of the Director. If the construction is over 15% or \$500,000 whichever is less, the project requires the approval of the ARA or AC. Anything over 20% requires a review by the Office of

		non-IT storage, restrooms etc.  No: Construction of a computer room cannot be funded under the IT Fund, if the intent of the effort is to remodel a computer room after the equipment has been purchased.	Is the sole intent to house computer equipment? Is the intent to house people? Is the intent to include facilities other than space to house computer equipment?  Do not over build the space.	General Counsel.  Computer room construction projects can be done under the IT Fund if they cover designing and installing the master command center containing all monitor and control systems.
<b>E-Learning/ Distance Learning</b>	Delivery of training electronically through the use of various IT support systems, including: web-based, CBT, learning portals, collaborative groupware, and on-line universities.	Yes: Development or purchase of IT systems and media used to disseminate the training using the IT Fund is acceptable.  Yes: Program management support costs for e-learning projects can be paid for if part of an integrated e-learning/distance learning effort under the IT Fund.  No: Costs for the stand-alone instructor-led training are not to be paid for out of the IT Fund.  No: Construction of classrooms is not to be paid for out of the IT Fund.	Instructor-led training can be utilized if it is integral to the total learning project.	Instances of instructor-led training would be to instruct new users on how to access or use CBT or web-based training.  Request review by higher level.
<b>Equipment</b>				
<b>a. IT</b>	Card readers, biometric readers Racks, switch/router cabinets Computer training desks Similar items that can be connected to a network such as copiers. Computer boards and chips	Yes: Any IT equipment can be purchased under the IT Fund, regardless whether purchased as stand-alone equipment or equipment to be integrated in a larger IT system.		
<b>b. Telecom</b>	Circuit and packet-based telephones, PBXs, multiplexers, automatic call distribution systems, unified messaging systems, concentrators, routers,	Yes: Telecom equipment of any kind can be purchased under the IT Fund. However, underwater sound, radar, etc., cannot be purchased. Needs to be reconciled.		

<p><b>c. Personal Property</b></p>	<p>switches, Virtual Private Network equipment, codecs, inverse multiplexers, cabling, wiring, telemetry, visible and invisible light</p> <p>Night vision equipment Equipment safes Digital cameras Stand-alone electronic white boards Stand-alone bar code equipment (scanners and labelers) Stand-alone copiers Stand-alone audio-visual systems Television Sets</p>	<p>No: If the intent is to purchase personal property for stand-alone use, items should not be purchased under the IT Fund. Of the list presented, personal property items that could never be purchased under the IT Fund would include night vision equipment.</p> <p>Maybe: If the intent is to purchase items to be used as an <i>integral</i> part of a system, items may be purchased under the IT Fund. Initial scope should clearly identify the required items as integral to the system.</p> <p>No: Replacement of personal property cannot be funded under the IT fund.</p>	<p>What if night vision equipment was necessary?</p>	<p>Request review from higher level.</p> <p>Request review from Legal or at a higher level.</p>
<p><b>d. Medical</b></p>	<p>Equipment used in the medical field.</p>	<p>No: In general, medical equipment should not be purchased under the IT Fund.</p> <p>Maybe: If the intent is to purchase medical equipment to be used as an <i>integral</i> part of a system, the equipment may be purchased under the IT Fund. Initial scope <i>must</i> clearly identify the required items as <i>integral</i> to the system</p>		<p>What is considered acceptable and unacceptable purchases of medical equipment has not been fully determined. Until such time, all projects involving medical equipment should be submitted for higher-level review.</p>
<p><b>e. Telemedicine</b></p>	<p>Systems that support and transport the data involving diagnosis.</p>	<p>Yes: Telemedicine includes connectivity to the LAN for storage, manipulation and distribution within the immediate medical facilities and remote locations</p>		
<p><b>f. Communications Equipment</b></p>	<p>Land Mobile Radio (communications device similar to wireless phone) Wireless, satellite, free space optical, and analog/digital</p>	<p>Yes: Communication equipment can be purchased under the IT Fund. Communication equipment is considered telecom equipment and should be purchased under existing Telecom contracts.</p>		

g. Peripherals	communications systems both classified and unclassified Encrypted radio equipment  Carrying cases	No: As a general rule of thumb, peripherals such as computer carrying cases are provided upon initial purchase of the equipment. If additional or different peripherals are required, they should be purchased as personal property and <b>NOT</b> be funded under the IT Fund.  Yes: If the sole purpose is to ensure backup of a system, equipment necessary to provide power such as a UPS can be purchased under the IT Fund.		
h. Other	UPS for computer rooms	Yes: The repair and replacement of a UPS can be funded under the IT Fund if there is an on-going O&M agreement with the client that covers repair and replacement of equipment.  No: Generators cannot be purchased under the IT Fund.	Is installation of the UPS an <i>integral</i> piece of a computer room construction project?  Is repair and replacement of a UPS part of an on-going contracted effort to provide operations and maintenance?  Is the sole purpose of the UPS to serve as a backup device for computer equipment?	
Global Information Systems (GIS)/Global Positioning Systems (GPS)	GIS and GPS equipment used for a multitude of functions to include land/facilities surveys, aerial photos, mapping updates, etc. and interfaced with WANs and LANs	Yes: GIS and GPS System projects can be completed as IT Services efforts under the IT Fund.		
Integrated IT Solutions	Includes all phases of systems development (planning, design, development, implementation and operations & maintenance). Also includes necessary	Yes: Developing and delivering integrated IT solutions is the core mission of IT Solutions. All phases of an integrated IT solution can be completed under the IT Fund <b>IF</b> the effort is <i>integral</i> to the solution and all phases are clearly identified in the initial scope.	Is the scope of the effort clearly defined and documented?  Are all phases integral to the solution?	



	support services for Business Process Re-engineering, (BPR) cost/benefit analysis, requirements definition, and transition support	<p>Yes: Support services such as functional experts can also be funded through the IT Fund is the criteria listed above is clearly met. (See <i>Support Services</i>)</p> <p>Yes: Repair and replacement of equipment can be funded under the IT Fund <b>IF</b> the full effort includes on-going O&amp;M support provided through FTS. (See <i>Equipment</i>)</p> <p>Yes: Security systems can be constructed and equipment installed if they are <i>integral</i> to a larger IT security system that uses IT components such as computers, networks and servers. Initial scope must fully document required elements of the intended integrated security system</p> <p>Yes: Repair and replacement of equipment can be funded out of the IT Fund if FTS is providing on-going O&amp;M for the system, to include repair or replacement of equipment</p> <p>No: If security equipment is being purchased for stand-alone security purposes, not <i>integral</i> to a larger IT security system, the purchase cannot be completed using the IT Fund.</p> <p>Yes: Computer software may be purchased under the IT Fund.</p> <p>No: Clerical support services incident the "use" of software for data entry, data collection or analysis cannot be paid for out of the IT Fund.</p>	Is all required support services clearly identified in the scope?	See construction note for required reviews by \$ amount
<b>Security Systems</b> (local & remote)	Includes cameras, monitors, cabling card readers, video surveillance equipment, perimeter security systems (e.g., cameras on buildings) Can include construction of poles and concrete pads, if necessary			
<b>Software</b>	The purchase of computer software			
<b>Support Services</b>  a. <b>Planning</b>	Strategic planning, BPR, requirements analysis & economic analyses for IT capital planning Planning for automated systems and acquisition planning for system hardware and software	<p>Yes: If planning is an <i>integral</i> part of the overall systems development effort <b>AND</b> the scope of the effort clearly identifies and documents planning as <i>integral</i> to the effort, support services required to complete planning can be funded out of the IT Fund.</p> <p>No: Planning efforts that are not <i>integral</i> to an overall systems development effort</p>	<p>Is required support services <i>integral</i> to a larger IT effort?</p> <p>Is the planning required clearly a phase of the IT effort?</p> <p>Does the scope clearly identify and document the planning support services</p>	

<p><b>b. SDLC Support (design, development, implementation, O&amp;M)</b></p>	<p>Labor involved with designing, development, implementing and maintaining IT systems, including quality assurance throughout the lifecycle. Includes non-IT specific labor including construction support, functional expertise, telephone support and ancillary systems support.</p>	<p>cannot be funded under the IT Fund and should only be completed as Professional Services under the General Supply Fund.</p> <p>Yes: Support services for the design, development, implementation and O&amp;M of an IT system can be funded under the IT Fund.</p> <p>Yes: Non-IT labor required to support an overall IT systems development effort can be funded under the IT Fund if the specialized expertise or labor is <i>integral</i> to the solution <b>AND</b> clearly identified and documented in the initial scope.</p> <p>Yes: Specialized IT support services required to design, develop, implement or operate IT infrastructure of a client can be funded under the IT Fund.</p>	<p>needed?</p> <p>Is the support services directly related to a phase of the systems development effort?</p> <p>If non-IT expertise is required, is it necessary for the design, development, implementation or operation of the system?</p> <p>Are the expert services/expertise required as part of the implementation of the IT effort?</p>	
<p><b>c. Infrastructure</b></p>	<p>Includes computer/software scientists, systems engineers, systems administrators, system security officers/managers, and infrastructure specialists</p>	<p>No: If needed as part of a stand-alone study or other effort.</p> <p>Yes: Development of a COOP plan for a specific IT system can be funded under the IT Fund if the initial scope of the effort clearly identifies the requirement.</p>	<p>Is the study or analysis an IT study or analysis? Is it part of a larger systems effort?</p> <p>Or, is it a stand-alone project?</p>	
<p><b>d. Analysis</b></p>	<p>Non system-related management studies COOP plan development</p>	<p>No: Support services required to complete non-IT studies or plans cannot be funded under the IT Fund. These services should be procured as Professional Services and reimbursed through the General Supply Fund.</p> <p>No: Support services for data entry, data collection or analysis cannot be paid for out of the IT Fund.</p> <p>Yes: Program management support services can be funded under the IT Fund if the services are <i>integral</i> to the overall IT</p>	<p>Is the required program support directly supporting a systems effort?</p>	
<p><b>e. Functional</b></p>	<p>Support services required to support functional operation that includes use of an IT</p>			

<p><b>f. Program Management Office (PMO) Support</b></p>	<p>system or tool for data entry, collection, or analysis</p> <p>Program management support, program office support, budget and financial analysis</p>	<p>systems development effort <b>AND</b> the initial scope clearly identifies the requirement for PMO support services.</p> <p>No: PMO support services to assist a client complete day-to-day management operations, such as budget and financial analysis <b>NOT RELATED TO A SPECIFIC IT SYSTEM DEVELOPMENT EFFORT</b> cannot be funded under the IT Fund.</p>		
<p><b>Video-conferencing</b></p>	<p>Cable and satellite television</p> <p>Turnkey video conferencing solutions to include intercom systems, CCTV, lighting, sound, and projectors.</p>	<p>Yes: If the videoconferencing and cable or satellite TV is intended to be part of a turnkey IT solution to be used for conferencing or other transmission of information, the equipment and support services required to plan, design, develop, implement and operate the system can be funded under the IT Fund <b>IF</b> the initial scope clearly identifies the equipment or support services <i>integral</i> to an integrated conferencing or information transmission system.</p> <p>No: If the intended use of the equipment or personal property is anything other than use for a fully integrated conferencing or information transmission system, the IT Fund cannot be used. For example, cable television installed for the sole purpose of providing access to CNN cannot be funded under the IT Fund.</p>		

Note: Higher review can be by the Director, ARA/AC or Legal.